

**PAID UP  
OIL AND GAS LEASE**

THIS Oil and Gas Lease (the "Lease"), made and entered into this 15th day of May, 2008, (the "Lease") by and between **Big Redhorn Properties, L.P.** ("Lessor", whether one or more), whose address is 1315 West 10<sup>th</sup> Street, Fort Worth, Texas 76102 and **XTO Energy Inc.** ("Lessee"), whose address is 810 Houston Street, Fort Worth, TX 76102-6298.

**1. Grant of Interest/Description.** Lessor, in consideration of a cash bonus in hand paid, the receipt and sufficiency of which is hereby acknowledged, of the royalties herein provided, and of the agreements of Lessee hereinafter contained, hereby grants, leases, and lets exclusively unto Lessee for the sole purpose of exploring for, drilling, operating, and producing oil, gas and all other liquid and gaseous hydrocarbons and of laying pipelines, temporarily storing oil, building tanks (but not tank farms), power stations, telephone lines, roads and structures thereon necessary to produce, save, care for, treat and transport the oil, gas and all other liquid and gaseous hydrocarbons produced from the land leased hereunder, the following described land situated in Tarrant County, State of Texas, (sometimes referred to hereinafter as the "leased premises") to wit:

See Exhibit "A" Attached.

This Lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. If any additional acreage is included in this Lease pursuant to the foregoing sentence, then bonus shall be calculated and paid as to said additional acreage on the same terms as it is calculated and paid for the land specifically described above. For the purposes of calculating any shut-in royalty payments as provided herein, the leased premises shall be deemed to contain .3249 acres, regardless of whether it actually contains more or less.

**2. Term.** This is a paid up lease requiring no rentals. Subject to the provisions hereinafter contained, this Lease shall be for a term of four (4) year(s) from this date (called "Primary Term"), and so long thereafter as oil, gas, or any other liquid and gaseous hydrocarbons, is produced in paying quantities from the leased premises or from land pooled therewith, or this Lease is otherwise maintained according to the provisions herein.

**3. Royalty.**

a. Lessee shall have a duty to Lessor of utmost good faith and fair dealing to market, gather, transport, dispose of and sell all oil, gas and other liquid and gaseous hydrocarbons produced from the leased premises (including all products extracted therefrom) on Lessor's behalf at the best terms available for Lessor and Lessee. As royalties, Lessee agrees:

i. To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 26% (the "Royalty Percentage") of all oil and other liquid hydrocarbons produced and saved from the leased premises. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons produced and sold from the leased premises.

ii. To pay to Lessor:

(1) On gas produced from the leased premises and sold by Lessee or used off the leased premises and to which the following subparagraphs (2) and (3) do not apply, the Royalty Percentage of the market value at the point of sale, use, or other disposition, less the deductions authorized in Paragraph 3(c) below.

(2) On gas produced from the leased premises that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of: (a) the Royalty Percentage of the market value of the gas at the inlet to the processing plant, or (b) the Royalty Percentage of the market value of all processed liquids saved from the gas at the plant plus the Royalty Percentage of the market value of all residue gas at the point of sale, use, or other disposition, less the deductions authorized in Paragraph 3(c) below.

(3) On gas produced from the leased premises that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Percentage of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Percentage of the market value of all residue gas at the point of sale, use, or other disposition, less the deductions authorized in Paragraph 3(c) below.

b. The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes or any other reimbursement or credit, then the reimbursement (or credit) will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the leased premises and consumed by Lessee or an affiliate of Lessee for compression, dehydration, fuel or other use.

c. Except as otherwise permitted herein, Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the leased premises incurred prior to the sale of such oil and gas to the first non-affiliate of Lessee, or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil or gas incurred on the leased premises. It is the intent of the parties that the foregoing provisions of this paragraph are to be fully effective and enforceable and are not to be construed as "surplusage" under the principals set forth in *Heritage Resources v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996). Lessor's royalty shall bear its share of all severance and production taxes. Notwithstanding anything to the contrary, Lessor's royalty will bear its pro-rata share of transportation charges (including related fuel charges) for downstream transportation, provided the charges are made by a company which is not Lessee nor an affiliate of Lessee (including non-affiliated charges passed through an affiliate), and provided they do not exceed an amount reasonably commensurate with charges by non-affiliated entities to unrelated operators in the area of the leased premises.

d. Lessor shall be paid the Royalty Percentage of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas purchaser "makes up" such gas within the period called for in the gas contract and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such "make up" gas. Lessor shall be a third-party beneficiary of any gas purchase contract and/or transportation agreement entered into between Lessee and any purchaser and/or transporter of Lessor's gas, irrespective of any provision of said contracts to the contrary, and such gas purchase contract and/or transportation agreement will expressly so provide. Further, Lessor shall be entitled to the Royalty Percentage of the value of any benefits obtained by or granted to Lessee from any gas purchaser and/or transporter for the amendment, modification, extension, alteration, consolidation, transfer, cancellation or settlement of any gas purchase contract and/or transportation agreement.

e. If oil or gas produced from the leased premises is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser at the time the contract is made, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the oil or gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraphs 3(b) and 3(c) above.

f. As used in this paragraph, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns all or a portion of Lessee or in which Lessee owns all or a portion of such entity; or (ii) a corporation, joint venture, partnership, or other entity that has common ownership with Lessee.

g. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

h. The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the leased premises or pipeline company transporting production from the leased premises, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

**4. Payment of Royalties.** Except on any portion of ownership where there is a reasonable title dispute, with respect to each well on the leased premises or on land pooled therewith, initial royalty payments for oil and/or gas shall be made on or before the end of the third calendar month following the month of first sales of production. Thereafter, all royalties which are required to be paid hereunder to Lessor shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the end of the first calendar month following the month in which production is sold, and royalty on gas shall be due and payable on or before the end of the second calendar month following the month in which production is sold. Each royalty payment shall be accompanied by a check stub, schedule, summary or remittance advice identifying the lease name and showing the gross amount and disposition of all oil and gas produced and the market value of the oil and gas. A summary of all pricing provisions of all contracts under which gas is sold or processed and all subsequent agreements and amendments to such contracts as well as the books, accounts and all other records pertaining to production, transportation, sale and marketing of oil or gas from the leased premises shall at any time during normal business hours and days be subject to inspection and examination by Lessor, provided Lessee is given reasonable advance written notice. If payments to be made by Lessee to Lessor are not made when due for whatever reason except on any portions of ownership where there are reasonable title disputes, the unpaid portion shall bear interest at the lower of (1) the prime rate as published by the Wall Street Journal in its "Money Rates" section plus 2%, or (2) the highest rate allowed by law. If Lessee is in default hereunder and this matter is turned over to an attorney for collection, or is collected by suit, Lessee agrees to pay all reasonable attorney fees incurred by Lessor. Payments may be remitted to Lessor annually for the aggregate of up to twelve months' accumulation of proceeds if the total amount owed is \$25.00 or less.

**5. Shut-in Payments.** While there is a well on the leased premises or lands pooled therewith capable of producing gas in paying quantities but the production thereof is shut-in, shut-down or suspended for lack of a market, available pipeline, or because of government restrictions or, if it is economically inadvisable for both the Lessor and Lessee to sell gas for a time as evidenced by a written agreement signed by both parties, then, and in any such event, Lessee may pay as shut-in royalty on or before ninety (90) days after the date on which (1) production from any such well is shut-in, shut-down or suspended; or (2) this Lease is no longer maintained by compliance with one of the other preservation provisions hereof, whichever is the later date, and thereafter at annual intervals the sum of Fifty Dollars (\$50.00) per net mineral acre covered by the Lease. If such payment is made in accordance with the terms hereof, this Lease shall not terminate, but shall continue in force for a period of one (1) year from the date of making such shut-in payment (subject to the exceptions set out hereafter) and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of each pertinent provision of this Lease. Provided, however, in no event shall shut-in well payments maintain this Lease in force for a period exceeding four (4) years in the aggregate. Any shut-in royalty payment shall not be a credit against production nor be credited with prior production royalty. In the event that production is begun or resumed during the year following the payment of a shut-in royalty payment and is subsequently shut-in, during such year the second annual shut-in payment shall be due and payable on the anniversary date of the first payment. If there is production on such first anniversary date and the well is subsequently shut-in, shut-down or suspended, then the second shut-in payment shall be made on or before ninety (90) days after such new shut-in date or the Lease shall terminate. Should such shut-in royalty payments not be made in a timely manner as provided for above, then, in that event, it shall be considered for all purposes that there is no production of gas from any such well or wells and, unless this Lease is being maintained by any other preservation provision hereof, this Lease shall terminate thirty (30) days after Lessee's receipt of Lessor's written notice of such failure to pay, unless on or before the expiration of such thirty (30) day period, Lessee remits to Lessor the shut-in royalty payment.

**6. Operations.** If at the expiration of the Primary Term, oil, gas or any other liquid or gaseous hydrocarbon is not being produced from the leased premises, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the Primary Term, the Lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or any other liquid or gaseous hydrocarbon, so long thereafter as oil, gas or any other liquid or gaseous hydrocarbon is produced in paying

quantities from the leased premises, or from land pooled therewith. If, after the expiration of the Primary Term of this Lease and after oil, gas or any other liquid or gaseous hydrocarbon is produced from the leased premises, or from land pooled therewith, the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or any other liquid or gaseous hydrocarbon, so long thereafter as oil, gas or any other liquid or gaseous hydrocarbon is produced in paying quantities from the leased premises, or from land pooled therewith. Upon the expiration of the Primary Term of this Lease or upon the expiration of any extension or renewal of the Primary Term, whichever occurs last, Lessee shall release all rights lying one hundred feet (100') below the stratigraphic equivalent of the base of the deepest producing formation; provided, however, if Lessee is then engaged in operations on the leased premises or on lands pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between said operations. Drilling is defined in this paragraph to be actual drilling with rotary drilling tools of a suitable size necessary to reach the objective depth.

**7. Retained Acreage Clause. [INTENTIONALLY DELETED]**

**8. Cessation of Production. [INTENTIONALLY DELETED]**

**9. Limitation to Oil and Gas.** This Lease is intended to cover only oil, gas and any other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the leased premises; and, in such event, this Lease shall also cover all such other substances so produced from a well bore. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive the Royalty Percentage of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's Royalty Percentage of such substances shall be sold by Lessee with Lessee's portion of such substances and at the same profit realized by Lessee for its portion of such substances.

**10. Gas Contracts.** Lessee agrees that it will not enter into any contracts for the sale of production from this Lease which shall extend more than three (3) years from the effective date of such contract, unless such contract has adequate provisions for redetermination of price at least every three (3) years to assure the production from this Lease is not being sold for less than the then current fair market value of the production being sold.

**11. Separation of Liquids.** All gas produced from the leased premises or lands pooled therewith shall, before the same is sold or used for any purpose or is transported from the leased premises or pooled unit, be passed through a mechanical separator system situated on the leased premises or on any lands pooled therewith, designed and operated to effect the maximum economical recovery of liquid hydrocarbons therefrom. All condensate, distillate, natural gasoline, kerosene, and all other liquid hydrocarbons and mixtures thereof produced with gas from the leased premises or lands pooled therewith and separated from such shall be considered oil for all purposes of calculating the Royalty Percentage.

**12. Right to Take Production in Kind.** Lessor shall always have the right, at any time and from time to time, upon two (2) months written notice to Lessee, or such lesser time to which Lessor and Lessee mutually agree, to take Lessor's share of oil, gas and processed liquids in kind. Lessor may elect to take Lessor's gas in kind at the well, or at the point of delivery where Lessee delivers Lessee's gas to any third party. If gas is processed, Lessor may elect to take Lessor's share of the residue gas attributable to production from the leased premises, at the same point of delivery where Lessee receives its share of residue gas or has its share of residue gas delivered to a third party. Lessor may elect to have its royalty share of processed liquids stored in tanks at the plant or delivered into pipelines on the same basis as Lessee's share of liquids is stored or delivered. Lessor shall be responsible for and bear all costs in installing, operating or maintaining additional facilities necessary for Lessor's royalty gas and processed liquids to be separately metered, accounted for, and delivered to a third party, but Lessor shall not be charged for any expense in the production, gathering, dehydration, separation, compression, transportation, treatment, processing or storage of Lessor's share of gas and processed liquids along with Lessee's share of gas and processed liquids. In the event Lessor elects in writing to take and separately dispose of its royalty share of the gas, an appropriate gas balancing agreement shall be entered into between the parties. It is expressly agreed, however, that the inclusion of an option to permit Lessor to take its royalty gas in kind shall not modify or limit Lessee's duty to pay royalties as provided herein or to market the gas as provided herein and at such times, and from time to time, as Lessor

does not choose to take and separately dispose of its royalty gas. Any election by Lessor to take its royalty share of gas or processed liquids in-kind made hereunder shall be for a period of six (6) months or such lesser time that is mutually agreeable to Lessor and Lessee.

**13. Pooling.** Subject to the limitations below, Lessee is hereby granted the right to pool or unitize the leased premises with any other lands, lease, leases, mineral estates or parts thereof for the production of oil, gas and constituents thereof covered hereby. Units pooled for oil shall not exceed eighty (80) acres plus an acreage tolerance of ten percent (10%). Units pooled for gas shall not exceed six hundred forty (640) acres plus an acreage tolerance of ten percent (10%). Lessee may pool or combine acreage from the leased premises or any portion thereof as to oil and any one or more strata and as to gas in any one or more strata. The pooling in one or more instances shall not exhaust the rights of Lessee to pool this Lease or portions thereof into other units. Lessee shall file for record, in the Real Property Records where the leased premises are located, an instrument describing and designating the pooled acreage and leases and depth limitations, if any, for the pooled unit, and upon recordation, the unit shall become effective as to all parties hereto. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises. Operations and/or production on any part of the pooled acreage shall be treated as if such operations were upon or such production was from the leased premises whether the well or wells be located on the leased premises or not. The entire acreage pooled in the unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this Lease. In lieu of the royalties herein provided, Lessor shall receive on production from a unit so pooled the Royalty Percentage multiplied by the amount of Lessor's acreage placed in the unit on a surface acreage basis divided by the total surface acreage so pooled in the particular unit involved. Lessee may pool the leased premises only if all of the leased premises is included in the pooled unit. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises.

Once this Lease is included within a pooled unit, the pooled unit may not be amended or modified to exclude the Lease (or any portion of it) from the pooled unit; provided, however, that Lessee may amend any pooled unit from time to time, and at any time, in order to correct any error therein or to include in the pooled unit any newly acquired interests within the pooled unit boundaries. Unless the prior written consent of Lessor is obtained, Lessee may not release this Lease if this Lease is included within a pooled unit containing a well producing gas in paying quantities.

**14. Assignability.** The rights of Lessor hereunder may be assigned in whole or in part and the provisions hereof shall extend to Lessor's heirs, executors, administrators, successors and assigns. However, Lessor is granting rights to Lessee that Lessor would not grant to others. Any assignment by Lessee shall require the prior written consent of Lessor, which consent may not be unreasonably withheld or delayed. Lessor's consent to any assignment shall not constitute consent to any other assignment. Lessee shall furnish Lessor a copy of any assignment by Lessee made pursuant to this section, with the recording data reflected thereon (if recorded). Assignment of this Lease or any part thereof shall not relieve Lessee, its assignees, or any subassignees of any obligations hereunder, theretofore accrued or to accrue in the future; and any assignee of Lessee shall, by acceptance of such assignment, be bound by all terms and provisions hereof. The term "assignment" as used herein, shall include, without limitation, any sublease, farmout, operating agreement, pooling agreement, unitization agreement, or any other agreement by which any share of the operating rights granted by this Lease are assigned or conveyed, or agreed to be assigned or conveyed, to any other party. If Lessee fails to furnish Lessor a copy of any assignment complying with the requirements of this section within thirty (30) days after Lessor's written demand therefore, then Lessee shall pay Lessor an amount equal to Five Dollars (\$5) per acre per day for each acre of the leased premises that has been assigned, beginning with the 30th day after the date of Lessor's written request and continuing until such assignment has been executed and delivered to Lessor. It is agreed that actual damages to Lessor for Lessee's failure to deliver such assignment are difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty.

No change or division in ownership of the leased premises, rentals or royalties however accomplished shall operate to enlarge the obligations or diminish the rights of Lessee, nor shall any such change or division be binding upon Lessee for any purpose until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's above stated address with a copy of the recorded instrument or instruments

evidencing same. If Lessee or any assignee of a segregated part or parts hereof shall fail to comply with any provision of the lease, such default shall not affect this Lease insofar as it covers a part of said lands upon which Lessee or any assignee thereof shall comply with all provisions hereof.

**15. Offset Wells.** This offset obligation shall go into effect one (1) year after the effective date of this Lease and shall not apply to any well drilled prior to the effective date of this Lease. In the event a well (an "offsetting well") producing oil or gas in paying quantities is completed on land within 330 feet from any boundary of the leased premises and has penetrated and been perforated and fraced in the Barnett Shale, Lessee must, within one-hundred eighty (180) days after the offsetting well continuously produces in paying quantities for 30 consecutive or more days, commence operations for the drilling of an offset well on the leased premises or lands pooled therewith and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the forty (40) acres nearest to the offsetting well as to the formation in which the offsetting well is producing; or (ii) pay Lessor on a monthly basis a compensatory overriding royalty interest of the equivalent of a two percent (2%) overriding royalty interest in the offsetting well. The compensatory overriding royalty shall terminate upon first sales of production by Lessee of an offset well on the leased premises or lands pooled therewith that prevents drainage. Lessee's obligation to drill, release or pay the compensatory overriding royalty interest shall not apply if there is already a well on the leasehold premises acreage nearest the offsetting well that is preventing drainage from the offsetting well.

**16. Title Opinions.** Upon Lessor's written request, Lessee shall deliver to Lessor a copy of any title opinions covering any portion of the leased premises and any revisions or supplements thereto within thirty (30) days of receipt of same by Lessee, and Lessor agrees to rely on such opinions at its sole risk. Upon Lessor's written request, Lessee shall deliver to Lessor any curative matters served in connection therewith.

**17. Notifications Required.** Lessee shall advise Lessor in writing of each well to be drilled upon the leased premises or on land pooled therewith on or before seven (7) days before commencement of operations, and shall advise Lessor in writing the date of completion and/or abandonment of each well drilled on the leased premises or on land pooled therewith (such notice shall include furnishing Lessor a copy of the applicable completion or plugging report filed with any governmental or regulatory agency) within thirty (30) days after completion or abandonment. As to any well drilled under the provisions of this Lease, Lessor, at its sole risk and expense, shall have access to such well and upon request shall be furnished with copies of daily drilling reports. Such reports and information shall be furnished within seven (7) days after the same are obtained or compiled by Lessee. In addition, Lessee shall upon written request furnish Lessor within thirty (30) days from the date of the request or thirty (30) days from the date that the data is received by Lessee plats or maps showing the location of the well on this Lease or lands pooled therewith.

**18. Force Majeure.** If Lessee, after effort made in good faith, is prevented from complying with any express or implied covenant of this Lease, from conducting drilling or reworking operations or from producing oil or gas by reason of rebellion, riots, acts of God, any federal, state or local law, or any other valid rule or regulation of governmental authority, then while so prevented Lessee's obligation to comply with the covenant shall be suspended, Lessee shall not be liable in damages for failure to comply therewith, and this Lease shall be extended while and so long as Lessee is so prevented; provided, however, that nothing contained in this Lease shall be construed to suspend the payment of royalty (including shut-in royalties), and further provided that this Lease shall in no event be extended under the terms of this paragraph for a period longer than two (2) years. None of the provisions of this paragraph shall ever be or become effective and applicable unless Lessee shall, within a reasonable time (not to exceed sixty (60) days in any event) after occurrence of the claimed event above referred to, notify the Lessor, in writing, of such occurrence with full particulars thereof.

**19. Release Required.** Within thirty (30) days after the partial termination of this Lease as provided under any of the terms and provisions of this Lease, Lessee shall deliver to Lessor a fully executed, recordable release properly describing by metes and bounds the lands and depths released. If this Lease terminates in its entirety, then Lessee shall deliver a complete, fully executed, recordable release to Lessor within thirty (30) days of termination. If such release complies with the requirements of this section, Lessor shall record such release. If Lessee fails to deliver a release complying with the requirements of this section within thirty (30) days after Lessor's demand therefore, then Lessee shall pay Lessor an amount equal to Five Dollars (\$5.00) per acre per day for each acre of the leased premises that should have been released, beginning with the 30th day after the date of Lessor's request and continuing until such release has been executed and delivered to Lessor. It is agreed that actual damages to Lessor for Lessee's failure to deliver such release are

difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty.

**20. Indemnification.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND THE SURFACE OWNER OF THE LEASED PREMISES AND THEIR REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE INCLUDING THOSE FOR INJURY TO OR DEATH OF PERSONS, LOSS OR DAMAGE TO PROPERTY, TRESPASS OR NUISANCE, AND INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY, OR RESULTING FROM LESSEE'S OPERATIONS ON THE LEASED PREMISES OR LANDS POOLED THEREWITH, LESSEE'S MARKETING OF PRODUCTION FROM THE LEASED PREMISES OR LANDS POOLED THEREWITH, OR ANY VIOLATION OF THIS AGREEMENT OR ANY LAW, RULE, REGULATION OR ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERMS "LESSEE", "LESSOR" AND "SURFACE OWNER" INCLUDES THEIR AGENTS, TENANTS, EMPLOYEES, SERVANTS, INVITEES, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER THEIR DIRECTION OR CONTROL, AND THEIR INDEPENDENT CONTRACTORS. LESSEE'S OBLIGATIONS UNDER THIS INDEMNITY PARAGRAPH 20 SHALL SURVIVE TERMINATION OF THIS LEASE.

**21. No Warranties of Title.** This lease is made without warranties of any kind, either express or implied. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessor agrees that Lessee, at its option after Lessee has given Lessor at least seven (7) days' written notice, may discharge any tax, mortgage or other lien upon said leased premises, either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with right to enforce same subject to any defenses of Lessor and apply royalties accruing hereunder toward satisfying same.

**22. Proportionate Reduction for less than Entire Interest.** It is agreed that if Lessor owns an interest in oil, gas and other liquid and gaseous hydrocarbons in and under any of the leased premises less than the entire oil and gas fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and all other benefits to accrue or to be paid to Lessor hereunder as to such lands shall each be reduced to the proportion thereof which the mineral fee estate of Lessor in such land bears to the entire mineral fee estate, provided that in no event shall there be any refund of any amounts previously paid to Lessor as lease bonus or delay rentals.

**23. Secondary Recovery. [DELETED.]**

**24. Compliance with Environmental Laws and Regulations.** Lessee, its successors and assigns, by its acceptance of this lease, hereby agrees to comply with all applicable laws, rules and regulations and hereby assumes full responsibility for, and agrees to indemnify, defend and hold harmless, Lessor (and any surface owner other than Lessor) from and against any loss, liability, claim, fine, expense, cost (including reasonable attorneys fees and expenses) and cause of action caused by or arising out of the violation (or defense of the alleged violation) of any federal, state or local laws, rules or regulations applicable to any waste material, drilling matter, fluid or any hazardous substances released or caused to be released by Lessee or Lessee's agents, or independent contractors from the land leased hereunder or pooled herewith into the atmosphere or into or upon the land or any water course or body of water, including ground water.

**25. No Salt Water or Waste Injection Wells.** Lessee shall not have the right to dispose of produced water or wastes of any kind on the leased premises without the written consent of Lessor.

**26. Timely Plugging and Abandonment of Wells.** Without the prior written consent of the Lessor, Lessee shall not allow any well located on the leased premises or lands pooled herewith to remain in a temporarily abandoned state for a period more than the time permitted by the rules and regulations of the applicable regulatory authority, without beginning plugging and abandonment operations with respect to the well and restoring the location.

**27. Alteration /Modification.** The terms of this Lease cannot be altered or amended except by a written instrument clearly demonstrating such purpose and effect, and executed by both parties to this Lease. The written instrument shall describe the specific terms or provisions being altered and the proposed modification or change thereto. Any notation or legend attached to a royalty check shall be null and void and without legal significance for the purpose of altering this Lease.

**28. Division Orders.** The terms of this lease may not be amended by any division order and the signing of a division order by any mineral owner may not be made a prerequisite to payment of royalty hereunder.

**29. Ancillary Rights. [INTENTIONALLY DELETED.]**

**30. Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, properly addressed and deposited in the United States mail, postage prepaid, to Lessor and Lessee at the addresses shown above or at such other address as such party may have specified theretofore by notice delivered in accordance with this paragraph.

**31. Attorney's Fees.** In the event that either party shall be required to employ legal counsel for the enforcement of any provision of this Lease and prevails, the prevailing party will be entitled to recover from the non-prevailing party reasonable attorney's fees and expenses incurred .

**32. Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the leased premises, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability for bodily injury and property damage with a limit of \$2,000,000, blowout and loss of well coverage with a limit of \$3,000,000, and coverage for any damage to the environment resulting from a blowout, including coverage for the cost of clean up and surface remediation, with a limit of \$5,000,000. The policies shall show Lessor (and the owner of the surface of the leased premises if not the Lessor) as additionally insured parties to the extent of the liabilities incurred hereunder. Upon Lessor's request, Lessee shall furnish Lessor with a certificate from the issuing insurance company or companies evidencing the coverage prior to conducting any operations and annually thereafter. The insurance obligations of Lessee described herein shall continue for 2 years after expiration of this lease.

**33. Counterpart Execution.** This instrument may be executed as one document signed by all parties, or the named parties may join by execution of a counterpart, with the same effect as if all parties executed this instrument. Executed signature pages from different originals of this instrument may be combined to form a single original instrument; provided however, this lease shall not become effective unless and until it is executed by all of the undersigned.

**34. Split Stream Contracts.** In the event that gas produced under the terms of this lease is sold under multiple gas purchase contracts, "split stream contracts," Lessor, at its option, may require that all Lessees who are selling gas produced under the terms of this lease designate a single Lessee to pay all royalties due to Lessor under this lease.

**35. Most Favored Nation. [INTENTIONALLY DELETED]**

**36. Compliance with the Railroad Commission Regulations.** Lessee's operations on the leased premises shall comply with all regulations and requirements of the Texas Railroad Commission or any successor governmental agency.

**37. Default. [INTENTIONALLY DELETED.]**

**38. Lien.** Lessor shall have and hereby reserves a lien on its Royalty Percentage created by this Lease and the production from this Lease (the "Collateral") to secure the payment of all royalties and other payments and benefits due and payable to Lessor and to secure the performance of all of the obligations of the Lessee under this Lease. In addition to any other remedies provided in this Lease, Lessor, as a secured party, may in the event of Lessee's default hereunder, proceed under the Texas Uniform Commercial Code as to the Collateral, in any manner permitted by said Code. In the event of default by Lessee, Lessors shall have the right to take possession of the Collateral, and to receive the proceeds attributable thereto and to hold same as security for Lessee's obligations or to apply it on the amounts owing to Lessors hereunder. The Collateral includes accounts from the sale thereof, and this Lease shall be deemed a financing statement under the Code. The addresses of Lessors, as Secured Party, and Lessee, as Debtor, are as set forth at the beginning of this Lease.

**39. Minimum Royalty. [INTENTIONALLY DELETED]**

**40. Shared Information.** To the extent such knowledge and information is available and material to Lessee so that it would act on its own behalf, Lessee agrees to give notice to Lessor of the need, if any, to bring a

claim or lawsuit against a third party who is draining, damaging, overproducing, unlawfully depleting, or otherwise damaging any reservoir underlying the leased premises, in a timely fashion so that Lessor may assert Lessor's own claim or lawsuit in a court of appropriate jurisdiction, or before a regulatory agency. Lessee shall give such notice to Lessor within ninety (90) days of the date that Lessee becomes aware of the need to assert such claim or lawsuit. In this regard, Lessee acknowledges that Lessee is in a superior position to Lessor with respect to information regarding the geology, operations, production and sale of oil and gas and constituent hydrocarbons from the leased premises and lands adjacent, contiguous or in the vicinity of the leased premises and particularly with respect to reservoirs not on the leased premises which may be productive of oil, gas or other hydrocarbons and which underlay the leased premises. Notwithstanding anything herein to the contrary, the agreement by Lessee to share such information is not intended, and shall not, create any special relationship between Lessor and Lessee or a fiduciary duty on the part of Lessee.

**41. Miscellaneous Provisions.**

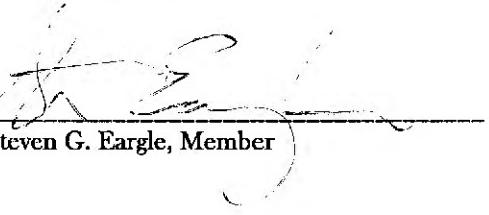
- (a) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.
- (b) Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas.
- (c) Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease.
- (d) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.
- (e) Time is of the essence of this Lease.

**42. Surface Rights.** Notwithstanding any other provision herein, Lessor retains all rights to the surface, and Lessee shall have no right to enter upon or utilize the surface estate of the leased premises for any reason whatsoever. In addition, Lessee agrees not to conduct any surface activity (or participate with any working interest owner under the terms of a joint operating agreement or otherwise) within 500 feet of the leased premises. Notwithstanding the foregoing, this waiver of surface shall not be construed as a waiver of the rights of Lessee to exploit, explore for, develop and produce oil, gas and other liquid and gaseous hydrocarbons and their constituent elements from wells from surface locations more than 500 feet off the leased premises, including, but not limited to, directional or horizontal drilling activity which comes under the surface of the leased premises.

**43. Outstanding Interests.** Lessor may not own all of the minerals underlying the leased premises. Lessee agrees that it will not drill, conduct operations or participate in drilling or operations which are not in compliance with the terms and requirements of this Lease by claiming authority under the leases covering the outstanding interest.

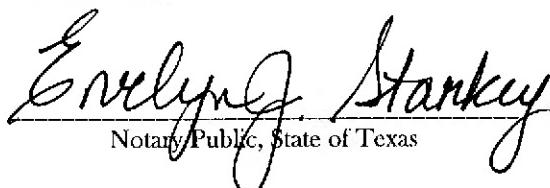
LESSOR: (whether one or more)

BIG REDHORN PROPERTIES, L.P.  
By: SEAR Properties, L.C., General Partner

By:   
Steven G. Eargle, Member

STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me this 20<sup>th</sup> day of May, 2008, by Steven G. Eargle, Member of SEAR Properties, L.C., General Partner of Big Redhorn Properties, L.P.

  
Evelyn J. Starkey  
Notary Public, State of Texas



**LESSEE:**  
**XTO ENERGY INC.**

By: Edwin S. Ryan, Jr.  
Senior Vice President - Land Administration

**STATE OF TEXAS  
COUNTY OF TARRANT**

This instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2008, by Edwin S. Ryan, Jr., Senior Vice President of Land Administration for XTO Energy, Inc. a Delaware corporation, on behalf of said corporation.

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Notary Public, State of Texas

**EXHIBIT "A"**

**ATTACHED TO AND MADE PART OF THAT CERTAIN OIL AND GAS LEASE  
DATED MAY 15, 2008 FROM BIG REDHORN PROPERTIES, L.P., AS LESSOR,  
TO XTO ENERGY, INC., AS LESSEE.**

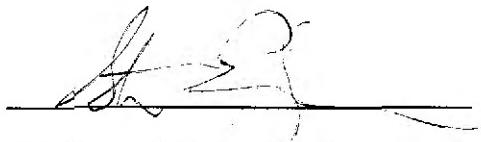
**DESCRIPTION OF LAND**

**Being 0.164 acres, more or less, plus an additional .161 acres included in adjacent streets and alleys, being a portion of Block 26, Jennings West Addition, an addition to the City of Fort Worth, Tarrant County, Texas. Said tract being more fully described in that certain Warranty Deed with Vendor's Lien dated November 15, 2000 from Donna Jean Dockstader to Big Redhorn Properties, L.P., recorded in Volume 14639, Page 316 of the Official Public Records, Tarrant County, Texas.**

**CONTAINING .3249 ACRES, MORE OR LESS, LEASED HEREIN.**

**SIGNED FOR IDENTIFICATION:**

**BIG REDHORN PROPERTIES, L.P.  
By: SEAR Properties, L.C., General Partner**



**BY: Steven G. Eargle, Member**



CARLA PETROLEUM INC  
16990 DALLAS PKWY SUITE 126

DALLAS TX 75248

Submitter: JAY FRAZIER

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 05/22/2008 03:14 PM

Instrument #: D208192907

LSE 12 PGS

\$56.00

By: \_\_\_\_\_



**D208192907**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Printed by: MV